

## Message Text

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ACTION EUR-12

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, BE

SUBJECT: EC CORN IMPORTS

REF: (A) EC BRUSSELS 10190 (B) STATE 279466 (C) EC BRUSSELS 10086  
(D) USEC (MONTEL) TELCON WITH USDA OF 1/3/75

1. BEGIAN SUMMARY: LARDINOIS HAS REAFFIRMED THE EC COMMISSION'S ESTIMATE OF 8MILLION TONS OF CORN TO BE IMPORTED FROM THE US DURING AUGUST-JULY 1974-75. RABOT PLANS TO GIVE US A REVISED SUPPLY-DEMAND ESTIMATE, THE LATEST IMPORT DATA, AND A COMMENTARY ON BOTH ON JANUARY 15, WHEN HE HOPES ALSO TO HAVE OUR LATEST GRAIN CROP ESTIMATES. THE COMMISSION WOULD BE RECEPTIVE TO A US REQUEST FOR CONSULTATIONS ON CORN IMPORTS FROM THE US DURING THE WEEK OF JANUARY 17, BY WHICH TIME THEY BELIEVE BOTH SIDES WOULD HAVE BEEN ABLE TO OBTAIN AND DIGEST BEST AVAILABLE DATA.  
END SUMMARY.

2. EC COMMISSIONER FOR AGRICULTURE LARDINOIS ON JANUARY 6 DISCUSSED WITH THE CHARGE AND THE AGRICULTURAL ATTACHE THE EC CORN IMPORT SITUATION AND RELATED MATTERS. ALSO PRESENT WERE LARDINOIS' CHIEF OF CABINET WIJNMAALEN, AGRICULTURE DIRECTOR GENERAL RABOT, DEPUTY DIRECTOR GENERAL FRANKLIN, AND DEGRUEBEN OF THE GRAIN AND FEED DIVISION.

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3. LARDINOIS BEGAN BY REFERRING TO THE DECLINE IN THE US CORN PRICE. HE SAID THAT, IN HIS OPINION, THIS SEEMS TO INDUCATE AMPLE SUPPLIES IN THE MARKET AND HE ASKED THEREFORE WHY WE HAVE BEEN SO CONCERNED. WE REPLIED THAT OUR DATA PRESENTLY SHOW CORN SHIPMENTS TO THE EC RUNNING AT ABOUT AN ANNUAL RATE OF 8 MILLION TONS; BUT WE HAVE REPORTS THAT OUR GRAIN TRADE EXPECTS THIS TEMPO TO PICK UP BECAUSE OF THE DECLINE IN THE VALUE OF THE US DOLLAR AND IN THE CORN PRICE ITSELF. WE DID NOT WANT TO GET INTO THE EXACT FIGURES ON THE SPOT, HOWEVER, BUT SAID THAT WASHINGTON WAS CONCERNED ABOUT THE RECENT DEVELOPMENT OF EXPORTS (REF. A).

4. LARDINOIS ASKED WHY THE US CORN PRICE WAS SO LOW. WE EXPLAINED THAT A MAJOR FACTOR WAS A DECLINE IN UTILIZATION DUE LARGELY TO PIG NUMBERS, WHICH ARE 15 PERCENT BELOW LAST YEAR AND AT THE LOWEST LEVEL SINCE 1935. WE SAID THAT OTHER FACTORS WERE THE POOR QUALITY OF THE CURRENT CORN CROP AND, TO A LESSER EXTENT, THE MOVEMENT OF SOME CORN OUT OF TRADERS' STOCKS WHICH HAD BEEN ACCUMULATED IN ANTICIPATION OF EXPORT CONTROLS. BUT THE COMPLETE PICTURE WOULD BE AVAILABLE ONLY AFTER RELEASE OF THE CRITICAL REPORTS LISTED IN THE LAST PARAGRAPH OF THIS MESSAGE.

5. LARDINOIS SAID THAT, ALTHOUGH SOME OF HIS EXPERTS MAY NOT AGREE, HE IS STILL CONVINCED THAT EC FEEDGRAIN CONSUMPTION FOR THE PRESENT MARKETING YEAR WILL BE ABOUT 10 PERCENT LESS THAN LAST YEAR. EC IMPORTS AND CONSUMPTION OF CORN IN HIS VIEW WILL REFLECT THIS DECLINE. IN ADDITION TO THE ACTIONS THE COMMUNITY HAS ALREADY TAKEN TO DISCOURAGE LIVESTOCK CONSUMPTION OF FEEDGRAINS, LARDINOIS CITED INCREASED FEEDING OF POTATOES, WHICH HAVE BEEN AFFECTED BY UNFAVORABLE WEATHER AT HARVEST TIME, AND CONTINUED GRAZING OF CATTLE IN IRELAND AND SOUTHWEST ENGLAND AS EVIDENCE OF A TREND TOWARDS MORE FORAGE IN LIVESTOCK RATIONS AND RELATIVELY LESS FEEDGRAINS.

6. HE ALSO POINTED OUT THAT EFFECTIVE JANUARY 4, EC CORN IMPORTS ARE BEING CHARGED A LEVY OF 1.28 U.A. PER METRIC TON, REFLECTING THE SHARP DECLINE IN CORN PRICES TO A LEVEL SLIGHTLY BELOW THE THRESHOLD PRICE OF \$140. WITH REIMPOSITION OF THE IMPORT LEVY ON CORN, THE TRADE HAS RESUMED ITS PRACTICE OF APPLYING FOR IMPORT LICENSES WITH THE LEVY FIXED IN ADVANCE FOR 60 DAYS, I.E., LIMITED OFFICIAL USE

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INTO MARCH. LARDINOIS SAID THAT HIS STAFF HAS ESTIMATED ON THE BASIS OF ADVANCE FIXING OF THE LEVY, THAT AVERAGE MONTHLY COMMUNITY IMPORTS OF CORN FROM ALL SOURCES DURING THE PERIOD AUGUST-MARCH WILL BE 900,000 METRIC TONS. BY EXTRAPOLATION, HE ESTIMATES EC CORN IMPORTS WILL TOTAL 10.14 MILLION TONS FOR THE YEAR AUGUST 1974 - JULY 1975. OF THIS AMOUNT TWO MILLION TONS WILL COME FROM SOURCES OTHER THAN THE US. THEREFORE, HE FEELS THE COMMISSION'S ESTIMATE OF 8 MILLION TONS OF CORN TO BE IMPORTED FROM THE US DURING

AUGUST-JULY 1974-75 IS BEING SUBSTANTIATED AND THAT US ESTIMATES AND HIS OWN ARE SUBSTANTIALLY IN AGREEMENT.

7. WE SAID THAT, NEVERTHELESS, EXPORTS APPEAR TO BE AT OR APPROACHING THE LEVELS THAT WOULD JUSTIFY US-EC CONSULTATIONS IN ACCORDANCE WITH THE AGREEMENT REACHED WHEN SOAMES WAS IN WASHINGTON. ON THE BASIS OF REFS. A AND D WE ASKED IF THE COMMISSION WOULD BE RECEPTIVE TO A REQUEST FOR CONSULTATIONS DURING THE WEEK OF JANUARY 27. LARDINOIS AND RABOT WELCOMED THE IDEA OF A CONSULTATION IN BRUSSELS. THEY THOUGHT THE WEEK OF JANUARY 27 WOULD BE ABOUT RIGHT IN TERMS OF AVAILABILITY OF DATA AND A CHANCE FOR EACH SIDE TO STUDY THE FUGURES.

8. WE REFERRED TO THE FEEDGRAIN SUPPLY AND DEMAND BALANCES, IMPORT DATA AND ASSOCIATED COMMENTARY THAT RABOT HAS UNDERTAKEN TO GIVE US (REFTELC). RABOT SAID HE PLANS TO DO THIS ON JANUARY 15 WHEN THE USDA WILL HAVE RELEASED ITS LATEST CROP REPORT SO THAT WE COULD COMPARE NOTES AND PREPARE FOR CONSULTATIONS THE WEEK OF JANUARY 27.

9. WE ASKED LARDINOIS WHETHER HE INTENDED ADDITIONAL MEASURES TO COPE WITH THE SITUATION. HE SAID THAT THERE ARE NO OTHER MEASURES HE CAN TAKE. THERE IS NO MORE WHEAT IN SO-CALLED INTERVENTION "A" OR "B" STOCKS AND HE CANNOT CONSIDER THE SUBSIDIZATION OF WHEAT FOR FEEDING. HE SAID THE PRICE RELATIONSHIP BETWEEN CORN AND WHEAT IS CURCIAL FOR PSYCHOLOGICAL AND PRACTICAL REASONS AND EMPHASIZED THAT HE HAS NO POWER TO KEEP OUT US CORN AT ITS PRESENT PRICE. HE DECLARED EMPHATICALLY THAT HE CANNOT END UP THE YEAR WITH SUBSTANTIAL STOCKS OF WHEAT ON HIS HANDS FOR OBVIOUS POLITICAL AND HUMANITARIAN REASONS. THEREFORE, AVAILABLE WHEAT WOULD HAVE TO BE EXPORTED.

10. LARDINOIS EMPHASIZED THAT THE COMMISSION WISHES TO MAINTAIN LIMITED OFFICIAL USE

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CLOSE CONTACT ON THIS RANGE OF SUBJECTS AND AWAITS WITH EVIDENT INTEREST THE EXCHANGE OF DATA NOW PLANNED FOR JANUARY 15.

11. ACTION REQUESTED: PLEASE CONFIRM WHETHER WASHINGTON WISHED US TO ARRANE CONSULTATIONS WITH THE COMMISSION IN BRUSSELS THE WEEK OF JANUARY 27. PLEASE ALSO SEND VIA INTERNATIONAL AIR MAIL 4 COPIES OF EACH OF THE FOLLOWING REPORTS IMMEDIATELY UPON THEIR RELEASE FOR DISTRIBUTION TO KEY COMMISSION OFFICERS:

- 1 - GRAIN STOCKS IN ALL POSITIONS
- 2 - FINAL GRAIN CROP REPORT
- 3 - GRAIN PLANTING INTENTIONS
- 4 - PIG CROP REPORT
- 5 - GRAIN CROP PRODUCTION AND ACREAGE ESTIMATE FOR SOUTHERN HEMISPHERE. MYERSON

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## Message Attributes

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